

**South Carolina
State Fiscal Accountability Authority**

Columbia, South Carolina

State Auditor's Report

For the Fiscal Year Ended June 30, 2022



Independent Accountant's Report on Applying Agreed Upon Procedures

May 16, 2023

Mr. Grant Gillespie, Executive Director
South Carolina State Fiscal Accountability Authority
Columbia, South Carolina

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the South Carolina State Fiscal Accountability Authority (the Agency) for fiscal year ended June 30, 2022. The Agency's management is responsible for the systems, processes and behaviors related to financial activity.

The Agency's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of understanding the systems, processes and behaviors related to financial activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the Agency to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Agency for the fiscal year ended June 30, 2022. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the Agency's management. Management of the Agency has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

1. Errors of less than \$1,000 related to non-payroll procedures.

We are required to be independent of the Agency and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the management of the South Carolina State Fiscal Accountability Authority, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor

Agreed - Upon Procedures Related to the South Carolina Fiscal Accountability Authority (E55)

(Activity of the Insurance Reserve Fund was not subject to procedures 1-9 and 11)

Cash Receipts/Revenues

1. Haphazardly select fifteen cash receipt transactions and inspect supporting transmittal and bank deposit statements to determine:
 - The receipt agrees with the general ledger as to amount, date, payor, and account classification.
 - The receipt was deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2022 Appropriation Act.
 - Both revenue collections and amounts charged were properly authorized by South Carolina Code of Laws Section 1-11-135, South Carolina Code of Law Section 11-35-4860, or Proviso 104.10 of the fiscal year 2022 Appropriation Act.
 - The receipt was recorded in the proper fiscal year.

Finding

Two receipts were not timely deposited in accordance with Proviso 117.1 of the fiscal year 2022 Appropriation Act.

Management's Response

We will continue to ensure deposits are processed in a timely manner and within the allotted timeframe as instructed by the State of South Carolina. Delays in processing were due to vacant positions, inexperienced new staff, scheduled staff absences, and an excessive number of days of unplanned absences due to sickness of experienced and knowledgeable employees. However, we will provide additional training to staff and update any applicable procedures to prevent deposit delays in the future.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select fifteen non-payroll disbursements and inspect supporting invoices and purchase orders to determine:
 - The disbursement's invoice agrees with the general ledger as to vendor, amount, and date.
 - The disbursement amount was below the expenditure limit of the approver.
 - The disbursement was a valid expenditure of the Agency.
 - The disbursement was properly classified in the general ledger.
 - The disbursement was recorded in the proper fiscal year.

We found no exceptions as a result of the procedure.

Payroll

3. Haphazardly select ten employees terminated during the fiscal year to determine if they were removed from the payroll system in accordance with the best practices established by the South Carolina Human Resources Division, and that their last paycheck, including any leave payout, was properly calculated.
4. Haphazardly select ten employees hired during the fiscal year to determine if they were added to the payroll system in accordance with the best practices established by the South Carolina Human Resources Division and that their first paycheck was properly calculated.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

5. Haphazardly select two journal entries and eight transfers and inspect the corresponding journal entry template requests to determine that the journal entries and transfers are valid and approved in accordance with the Agency's procedures.

We found no exceptions as a result of the procedures.

Reporting Packages

6. Inspect fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Compare responses in the Master Reporting Package Checklist and any required supplemental information to year end reporting packages submitted to the CG, the South Carolina Enterprise Information System (SCEIS) and Agency prepared records. Additionally, compare the dates submitted to the due dates established by the *CG's Reporting Policies and Procedures Manual*.

7. In addition to the procedure above, perform the following:

- Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and Agency prepared records. In addition, haphazardly select one payable from the Subsequent Events Accounts Payable Worksheet and determine if the amount was properly classified, calculated, reported, and excluded from the original Accounts Payable Reporting Package submission.

Finding

Two reporting packages were not submitted by the due dates established by the *CG's Reporting Policies and Procedures Manual*.

Management's Response

Our yearend closing process failed to detect that two reporting packages needed to be completed in a timely manner. Additional employee training will be implemented to ensure our yearend closing process detects every package that needs to be completed in a timely manner.

Assets and Personal Property

8. Inspect the inventory of personal property, excluding expendables, provided by the Agency to determine that it was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.
9. Haphazardly select ten assets from the *SCEIS Asset History Report* and observe their existence and agree them to the Agency's fiscal year 2022 asset inventory.

Findings

The Agency was not able to provide evidence of a completed inventory of personal property as required by South Carolina Code of Laws Section 10-1-140.

One asset selected for observation was retired on August 10, 2018, but the Agency failed to properly remove the asset from SCEIS by June 30, 2019, as required by the *CG's Reporting Policies and Procedures Manual*.

Management's Response

We will ensure all inventory is accounted for and verified as required in the future. Additional procedures have been implemented, so that all personal property, including common and unoccupied offices, will be accounted for and verified with a signature and date.

We will implement a new procedure to ensure retired and/or discarded assets are updated more timely in the financial system.

Agency-Specific Provisos

10. Determine compliance with Agency-specific state provisos (104.5 - Insurance Reserve Fund Report and 104.7 – IT Planning Transfers) by inquiring with management and observing cash transfer documentation, emails, and cover letters.

We found no exceptions as a result of the procedure.

Status of Prior Findings

11. Through an inspection of payables reported with the Subsequent Events Questionnaire, determine if the Agency has taken appropriate corrective action on the finding reported during the engagement for the prior fiscal year.

We determined the Agency has taken appropriate corrective action on the prior year finding.

Recommendation:

Journal Entry and Transfer Procedures – The Agency should update their journal entry and transfer procedures to include additional oversight duties for personnel over the preparation and approval of journal entries and transfers initiated from within the Finance and Administrative Division. The updated procedures should comply with the accounting industry standard best practice of segregation of duties, so that no one personnel member has the ability to initiate, record, authorize and reconcile a transaction.